

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EURE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
FEAE-00 OMB-01 /099 W

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P R 301657Z MAR 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6986

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION USUN NEW YORK

USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BONN 05648

E.O. 11652: GDS

TAGS: ECIN, ETRD, UNCTAD, EEC, PFOR, GW

SUBJECT: EUROPEAN COUNCIL MEETING MARCH 25-26, 1977:

FRG REACTION

REF: (A) ROME 5047, (B) ROME 5048

1. IN REVIEW OF EUROPEAN COUNCIL MEETING WITH EMBOFF
ON MARCH 29, FRG CHANCELLERY OFFICIAL (THIELE) CONFIRMED
THAT THE SESSION WAS QUITE SUCCESSFUL IN THE
CHANCELLOR'S VIEW. THIELE POINTED OUT THAT THE HEADS
OF GOVERNMENT REACHED GENERAL AGREEMENT ON IMPORTANT
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ISSUES BUT LEFT A LOT OF THE DETAILS UNSETTLED. IT
WOULD NOT HAVE BEEN FRUITFUL TO TRY TO SETTLE THESE
DETAILS AT ROME. THEREFORE, THE CHANCELLOR PURPOSE-
FULLY SOUGHT TO HAVE DEBATE ON DETAILS POSTPONED FOR
SUBSEQUENT DISCUSSION BY FOREIGN MINISTERS.

2. NORTH/SOUTH ISSUES: THIELE INDICATED THAT THE

CHANCELLOR WAS PLEASED WITH THE COMPROMISE REACHED ON NORTH/SOUTH ISSUES. IN THE FRG VIEW THERE ARE THREE NECESSARY COMPONENTS OF THIS COMPROMISE: (1) COMMODITY ARRANGEMENTS INCLUDING BUFFER STOCKS FOR THOSE FEW COMMODITIES FOR WHICH SUCH ARRANGEMENTS ARE APPROPRIATE; (2) A COMMON FUND PROVIDING A FINANCIAL LINK AMONG INDIVIDUAL BUFFER STOCKS; AND (3) THE COMMUNITY'S AGREEMENT TO STUDY THE GERMAN PROPOSAL FOR EXPORT EARNINGS STABILIZATION. THIELE EXPLAINED THAT THE FRG STILL BELIEVES THAT THE COMMON FUND WOULD MOST PROBABLY BE ONLY A FINANCIAL LINKING MECHANISM. DECISIONS ON INDIVIDUAL BUFFER STOCKS WOULD NECESSARILY BE THE FIRST STEP. THE FRG IS NOT PREPARED TO SUPPORT PROPOSALS TO GIVE THE CF ANY FORM OF ITS OWN RESOURCES OR CAPACITY TO BORROW UNTIL SUCH PROPOSALS CAN BE REVIEWED IN THE LIGHT OF AGREEMENTS REACHED ON INDIVIDUAL COMMODITY ARRANGEMENTS. SINCE THE COMMODITY ARRANGEMENTS AND THE COMMON FUND WOULD APPLY TO ONLY A FEW COMMODITIES, AN EXPORT EARNINGS STABILIZATION SCHEME WOULD BE NECESSARY TO HELP THOSE LDC'S WHOSE ECONOMIES DEPEND ON THE MANY COMMODITIES WHICH WOULD NOT BE COVERED. THUS, SOME FORM OF STABEX MUST BE PART OF THE COMMUNITY'S OVERALL POSITION ON COMMODITY POLICY.

3. THE CHANCELLOR ALSO LAID ON THE TABLE A PROPOSAL THAT THE COMMUNITY SHOULD SEEK SOME FORM OF RECIPROCITY FOR THE DEVELOPMENT AID, COMMODITY ARRANGEMENTS, AND OTHER OFFERS WHICH IT WAS PREPARING TO MAKE IN CIEC AND UNCTAD. SUCH RECIPROCITY COULD INCLUDE LDC COMMITMENTS

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TO OFFER GREATER SECURITY TO DIRECT INVESTMENTS BY INDUSTRIALIZED COUNTRIES, AND OPEC GUARANTEES NOT TO USE OIL EMBARGOES FOR POLITICAL PURPOSES. THE OTHER HEADS OF GOVERNMENT INDICATED THAT THEY WERE NOT PREPARED TO DISCUSS THIS CONCEPT, BUT AGREED THAT THE COMMISSION SHOULD PREPARE A PAPER ON IT. THE CHANCELLOR FURTHER SUGGESTED THAT THE SOVIET BLOC AND OPEC COUNTRIES SHOULD SOMEHOW BE TIED INTO AGREEMENTS REACHED ON COMMODITY ARRANGEMENTS OR OTHER NORTH/SOUTH ISSUES. THE OPEC COUNTRIES COULD BE ASKED TO GIVE FINANCIAL SUPPORT FOR INDIVIDUAL COMMODITY ARRANGEMENTS, FOR EXAMPLE.

4. THE EC HEADS OF GOVERNMENT DECIDED TO LEAVE TO CALLAGHAN THE TASK OF SUMMARIZING THE NORTH/SOUTH DISCUSSIONS ON HIS OWN AUTHORITY FOR THE PRESS. TEXT OF PAPER DISTRIBUTED TO EC DELEGATIONS BY PRIME MINISTER CALLAGHAN IN ROME (WHICH WAS GIVEN TO EMBOFF BY FRG ECONMIN OFFICIAL) FOLLOWS:

NORTH/SOUTH DIALOGUE

WE HAVE AGREED THE BASIS OF A COMMON POSITION.

WE AGREED THAT THERE SHOULD BE COMMODITY PRICE

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STABILIZATION AGREEMENTS WHERE APPROPRIATE AND THAT
THERE SHOULD BE (BEGIN UNDERLINE) A (END UNDERLINE)
COMMON FUND. THERE WILL ALSO BE A STUDY OF EXPORT
EARNINGS STABILIZATION MEASURES FOR DEVELOPING COUNTRIES
AND OF SPECIAL ACTION FOR THE CIEC ON AID.

THIS WILL NOW BE WORKED UP IN DETAIL AT THE

COUNCIL ON 5 APRIL AND WILL BE BROUGHT FORWARD IN THE PREPARATIONS FOR THE CIEC MINISTERIAL MEETING IN PARIS, IN WHICH THE COMMUNITY WILL COORDINATE ITS POSITION
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WITH THE OTHER INDUSTRIALIZED COUNTRIES IN THE GROUP OF EIGHT. THIS WILL BE FOLLOWED BY DETAILED NEGOTIATIONS AT THE UNCTAD CONFERENCE.

THE COMMUNITY WILL CALL ON OTHER COUNTRIES, FOR INSTANCE IN EASTERN EUROPE AND OIL PRODUCING COUNTRIES, TO MAKE AN ADEQUATE CONTRIBUTION IN THE DEVELOPMENT FIELD. END TEXT.

5. EC ENLARGEMENT: THIELE, WHO HAD NOT BEEN IN ROME, WAS NOT AWARE OF ANY SIGNIFICANT DISCUSSIONS ON ENLARGEMENT. HOWEVER, HE SAID THAT THE CHANCELLOR HAD EXPRESSED HIS VIEWS ON THIS ISSUE IN DISCUSSIONS WITH FRG OFFICIALS BACK IN BONN. THE CHANCELLOR NOTED THAT IT IS IN THE FRG'S INTEREST THAT THE COMMUNITY SHOULD CONTINUE TO MOVE TOWARD CLOSE INTEGRATION AND GAIN IN THE CAPACITY TO ACT MORE EFFECTIVELY. HOWEVER, THESE ARE LONG TERM, CONTINUING GOALS. THE MOST IMPORTANT TASK FOR THE COMMUNITY AT THIS MOMENT IS TO GIVE POLITICAL ASSISTANCE TO THE STRUGGLING DEMOCRATIC GOVERNMENTS IN SOUTHERN EUROPE, BY INDICATING RECEPΤIVITY TO THEIR DESIRE TO JOIN THE NINE. THE CHANCELLOR INDICATED THAT HE WAS WELL AWARE OF ALL THE PROBLEMS SUCH ENLARGEMENT WILL POSE FOR THE COMMUNITY'S INSTITUTIONS AND EFFORTS TO INTEGRATE FURTHER, BUT STRESSED THAT THESE PROBLEMS MUST NOT STAND IN THE WAY OF THE COMMUNITY'S TASK OF HELPING THESE COUNTRIES OF SOUTHERN EUROPE.

6. ECONOMIC SITUATION: THIELE SAID THAT THE CHANCELLOR THOUGHT THAT THE DISCUSSION ON THE ECONOMIC SITUATION AND OUTLOOK HAD BEEN A RATHER ROUTINE AFFAIR, IN CONTRAST TO PREVIOUS HEADS OF GOVERNMENT MEETINGS. THE CHANCELLOR DID NOT PLAY A PARTICULARLY ACTIVE PART IN THIS DISCUSSION. SINCE OTHER HEADS OF GOVERNMENT REFRAINED FROM ASKING THAT THE FRG
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INTRODUCE MORE EXPANSIONARY POLICIES, THE CHANCELLOR WAS NOT CALLED UPON TO DEFEND THE PRESENT FRG POLICY STANCE.

7. HISS, SENIOR ECONOMIC ADVISER IN THE CHANCELLERY WHO WAS ALSO IN ROME, TOLD THE ECON/COMM. MINISTER THAT THE PROBLEM OF COMMISSION REPRESENTATIVE AT THE SUMMIT HAD BEEN PRETTY WELL WORKED OUT BETWEEN SCHMIDT AND Giscard BEFORE THE ROME MEETING. THE GERMAN POSITION ON THIS ISSUE WAS SOMEWHERE BETWEEN THE FRENCH AND THE DUTCH POSITIONS. HISS SAID IT DID NOT MAKE TOO MUCH DIFFERENCE HOW THE MATTER WAS RESOLVED, SO LONG AS THE COMPLAINTS OF THE SMALLER COUNTRIES COULD BE SATISFIED.

8. HISS ALSO STRESSED THAT THE FRG DOES NOT, BY ANY MEANS, CONSIDER THE GERMAN EXPORT EARNING STABILIZATION SCHEME TO BE DEAD. HE HOPED THAT THE U.S. WOULD SUPPORT THIS APPROACH. HE CONTINUED TO REFLECT GERMAN RESERVATIONS ON A COMMON FUND. HE ALSO STRESSED THAT THE CHANCELLOR WAS PERSONALLY INTERESTED IN THE QUID PRO QUO ISSUE IN THE NORTH/SOUTH DIALOGUE. WHEN WE POINTED OUT THE POSSIBLE DIFFERENCE BETWEEN GERMAN AND DUTCH VIEWS IN THE NORTH/SOUTH AREA, HE DOWNPLAYED THEM AS OF NOT TOO GREAT IMPORTANCE. HE ALSO SAID THAT MONETARY MATTERS HAD NOT BEEN DISCUSSED VERY MUCH IN ROME, SINCE ALL THE WORK HAD BEEN DONE EARLIER IN THE MONETARY COMMISSION.

9. HISS SEEMED FAIRLY SATISFIED WITH RESULTS OF THE ROME COUNCIL MEETING AND DID NOT SEE TOO MANY STRICTLY ECONOMIC ISSUES THAT COULD DIVIDE THE EC AND THE US AT THE LONDON SUMMIT IN MAY.

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